

## Summary

The Mexican port sector is in a very dynamic stage in its development. Mexican ports must improve efficiency and expand capacity to respond to the increasing demands generated by international trade. Mexico's Gulf Coast ports face a challenge to respond to the demand generated by NAFTA trade and to compete in price and delivery time with the truck transportation industry. All Mexican ports on the Gulf Coast have projects to expand facilities, and to increase efficiency in the next 5-10 years.

### Mexican ports at the Gulf Coast

Mexico has 7 commercial ports on the Gulf coast:

Altamira, Tamaulipas  
Tampico, Tamaulipas  
Tuxpan, Veracruz  
Veracruz, Veracruz  
Coatzacoalcos, Veracruz  
Dos Bocas, Tabasco  
Progreso, Yucatan

All of these ports handle cargo, although some focus mainly on domestic intra-port movement. Public institutions called Integral Port Administration (APIs) administer all these ports. APIs report to the General Coordination of Ports of the Secretariat of Communications and Transportation (SCT). The APIs are responsible for preparing the Port Master Plan, assuring that port development is in compliance with plans and regulations, and for supervising services offered and fees charged by the private ports operators.

Port activities and services are granted in concession to private operators. Operators are responsible for building the infrastructure, purchasing the equipment and implementing the necessary processes to offer efficient services.

### Main trends in the port sector

Mexican ports have faced a dramatic increase in cargo movement (containerized cargo in particular) since the enactment of NAFTA in 1994. There has also been an exponential increase of imports from Asian countries.

The increase in traffic coupled with the privatization of railroads in 1998, which brought the participation of international railroad corporations, is changing the profile of the transportation and logistics sector in Mexico. It also opened up the sectors to companies with capital to invest in infrastructure and equipment.

The necessity to conduct the development of the transportation sector in accordance with the international trends, and a globalize economic point of view, moved the Mexican Secretariat of Transportation and Communications (SCT) to request the support of the U.S. Trade and Development Agency (TDA) to prepare a “Master Plan for Developing Multimodal Corridors in Mexico” with the purpose of designing a road map for the SCT and the private transportation and logistics providers as to what is required to improve in Mexico.

On May 27, the TDA authorized a grant of US 1,323,900.00 for the preparation of the Master Plan. The RFP is open until July 21, 2006 at the U.S. Federal Business Opportunities website:

<http://www.fbo.gov/spg/TDA/TDA1/TDA1/Reference%2DNumber%2D0551011C/listing.html>

The Master Plan is expected to provide a strategic vision for authorities and multimodal transportation providers (ports, railroads, truck carriers, etc.) with a blueprint for future investment in Mexico.

The ports are also involved in this trend to do all that is necessary to improve efficiency and to increase capacity to move cargo. All Ports in the Gulf of Mexico are developing important projects to provide attention to current demand, and to be prepared for future requirements.

## **MAIN PORT PROJECTS**

### **Port of Altamira**

During the year 2005, the Port of Altamira Administration (API Altamira) invested over 18 million dollars to improve the port infrastructure and facilities, such as dredging the access channel, improving water and energy supply, improving access, parking facilities, improving custom facilities and lighting in public areas

Some of the private operators working in the port invested over 370 million dollars to build a liquid gas terminal, an energy generation plant, petrochemical plants expansion, and purchasing equipment for all kind of port operations.

For 2006, the Altamira Port authority (API) will invest about 25 million dollars to continue improving port's infrastructure.

From the private sector, an investment of 110 million dollars has been announced for the following projects:

- Bridgestone Corporation will build a plant to produce 35,000 tons of lampblack, 80 % to be exported and 20 % for national consumption.
- Inmobiliaria Portuaria de Altamira will build a general cargo terminal with 42,645 square meters to handle steel, paper rolls, wood, aluminum and cars.
- Cooper T. Smith will relocate his terminal. The new one will have 47,607 square meters with 275 meters of water front.

Additionally, the Grupo Alfa announced that will invest US 108 million to expand the capacity of its polypropylene plant in Altamira. The contract for the construction has been awarded to the company ICA-Fluor Daniel. This amount does not include the required investment in equipment and other products necessary for the plant operation.

## **Port of Tampico**

As one of the oldest ports in Mexico, the Port of Tampico is now in the heart of a busy industrial area, that limits the port expansion. However, the Port Administration (API) is undertaking an important program to purchase industrial land and later develop the area for port expansion projects and for industrial projects compatible with the Port's Master Plan.

Some of the most important projects that the API is currently carrying out and planning include:

- The construction of a breakwater, measuring 500 meters in length, which is expected to be finished in 2006 and cost over 1.5 million USD.
- The annual dredging of the port's bay, which costs about US 2.5 million every year.
- The opening of a bid for a concession to build a closed warehouse for wood and minerals. The warehouse will be approx. 4,500 sq. meters and the bid will remain open until late June.
- Purchasing about 14 hectares of land next to the port for the construction of an multi-purpose terminal. The API is expected to announce the open bid for the construction of this new terminal late 2006.
- Expanding the capacity of the container terminal.
- Establishing an intermodal corridor between Guaymas and Tucson to move containers coming from Asia to the U.S.

## **Port of Tuxpan**

Some of the projects being developed in the Port of Tuxpan in 2006 include:

- The construction of a fire station by the API to improve port safety and security. This project will cost about US \$ 230,000.00
- An upcoming open bid for the construction of a multi-purpose warehouse. This warehouse will be operated by the Port Administration (API) and will be used mainly for minerals, fertilizers, and automotive products and materials, reflecting an increase in port productivity.
- The company Termigas, S.A. is building 10 spherical high-pressure tanks for liquid natural gas storage at the port. This project is in the process of construction at an estimated cost of US 25-30 million and will include a pipeline to take natural gas from the Port of Tuxpan to Mexico City, and the docks and facilities to receive ships carrying liquid natural gas. The facility is expected to start operations by late 2007.
- Construction of storage and handling facilities for alcohol. Time frame is yet to be determined.
- The company Suecomex, S.A. which is building exploration platforms for PEMEX, is expanding its facilities to start producing materials for its own manufacturing process.
- The company Frigotux, S.A., that just finished the refrigerated facilities for agricultural products processing and storage, concluded the purchase of a refrigerated ship to start a new route from the Port of Tuxpan to U.S. ports. The company is waiting for the USDA approval for certified delivery of agricultural products.

At the same time, the API Tuxpan is offering for sale industrial properties with waterfront for companies that want to develop projects that comply with the Port's Master Plan. Currently, the API is analyzing several important projects proposed by private corporations, including:

- The construction of a new terminal with facilities to handle containers, vehicles, and oil related products.
- The construction of a cruise terminal.
- The construction of a specialized container terminal.
- Construction of specialized facilities to store oil and related derivate products. This private facilities would serve PEMEX (the national oil company)

### **Port of Veracruz**

The Port of Veracruz has a big expansion project, the feasibility study for which was funded by the U.S. Trade and Development Agency (TDA). According to this study, concluded in July 2005, the complete expansion project will take about 15-20 years to be developed, and will require investments over 500 million dollars, including the construction of new port facilities in the Vergara Bay, just next to the current port location.

In the last 2-3 years, the port of Veracruz has invested in modifying the current facilities to expand general cargo and container capacity, and to increase efficiency in all port activities, including customs. In the midterm, the Port Administration is looking to increase the port's overall facilities with improved security, installation of new loading and unloading equipment, and add container berths.

During 2006, some of the projects being developed are:

- Installing an automated control system for ship arrivals and departures, that is compatible with standard communication systems.
- Installing an Intelligent Control Center for all the information generated or used in the port.
- Improving the railroad access network.
- Completing the infrastructure for a tax-exempt area where in bond assembling and manufacturing companies will be allowed to import duty free for manufacturing/exporting activities. This area is expected to be operating early 2007.
- Expanding the current container's terminal operated by Hutchinson Ports Holding.
- Establishing a multimodal corridor between Kansas City and Veracruz, in conjunction with the railroad company Kansas City Southern Mexico (KCSM).
- Increasing efficiency and productivity to reduce costs and to increase cargo movement in about 20 percent over the next 4-5 years.

Currently, the Port of Veracruz has 17 private concessionaires, and all of them are analyzing projects that will be undertaken in compliance with the integral Port Expansion Project. According to this, several important projects could be announced in the short term, to be developed in Veracruz.

At the same time, in conjunction with other municipal and state authorities, a 13.5 kilometers bypass for the City of Veracruz is being built, in order that port's users can avoid the urban traffic when arriving or departing from the port.

## **Port of Coatzacoalcos**

The Port of Coatzacoalcos is now part of a large project to build an inter-oceanic intermodal corridor at the Isthmus of Tehuantepec with the intention is to offer an alternative for traffic now using the Panama Canal. This project includes:

- The connection between the Ports of Salina Cruz and Coatzacoalcos, separated by the shortest distance between the Pacific and Gulf coasts, 302 kilometers by railroad and 319 by road.
- The concession will be part of a global regional development plan that will include investment and activities from the States of Oaxaca and Veracruz governments. The plan calls for the building of new highways to connect the intermodal corridor, electricity generation plants, and 146 different industrial projects. The respective states are committed to building the industrial, tourism and residential infrastructure necessary to support the potential demand generated by the project.
- The Office of the Presidency is coordinating this project that will be opened for concession to interested parties. Estimated cost for the project is U.S. 1.5 billion, including the construction of a two-way, double-stack railroad.
- The project coordinator has already received expressions of interest from several Mexican and foreign corporations interested in the concession rights to this project. If the project is developed, it is expected to move at least a 10 percent of the containers currently moving through Panama, which is about 1.5 million TEUS per year.

## **Port of Dos Bocas**

Some of the most important projects to be developed in the Port of Dos Bocas include:

- In early July 2006, the API will issue a public bid for building a refrigerated warehouse and terminal with a 200-meter dock and a 6,000 sq. meter warehouse. The cost for this facility is estimated in US 7 million. The awarded contractor will be in charge of purchasing the necessary equipment, and the terminal needs to finished by the end of 2007.
- The company Representaciones y Distribuciones EVYA, S.A. de C.V. is building a specialized terminal designed for construction and maintenance of offshore oil drilling platforms. This terminal is being built by a Mexican company, and is expected to be finished in late 2007. The terminal includes a 300-meter dock and 14 hectares dedicated to operation yards.
- The company Oceanografia, S.A. de C.V, is building a shipyard facility for repair and maintenance of platform exploration boats, which will include a 300-meter dock and 6 hectares of shipyards. This project will require an investment of about US 18 million and is expected to be completed in the winter of 2007.
- The API will expand the Industrial Development Area (IDA), located inside the the Port of Dos Bocas' hinterland to include commercial areas. The IDA, which covers over 70 hectares, is specifically designed for industries looking to capitalize on the proximity to the port.

## **Project of Progreso**

In compliance with the Port of Progreso Master Plan, the port authority and concessionaires are undertaking several important projects, including:

- The company TCB from Barcelona just made an investment of US 14 million for a new container terminal that started operations in July 2005. The company plans to invest about US 40 million in the next 20 years to continue improving service and operations.
- The construction of new specialized facilities to handle and store not-oil-derived liquids and ship fuel. The API opened a bid for the concession to build and operate the facility for 20 years, that could be extended for 18 years more. The awarded company will be selected in the last week of June and will need to invest about US 8 million to build the facility and obtain the necessary permits to operate as a tax-free zone, tha should start working by late 2007.
- The company Beacon Maritina is building a shipyard for the maintenance and repair of marine platforms, with capacity to serve up to 3 platforms simultaneously. This project will require an investment of about US 300,000 and is expected to start operating in July 2006, generating 300 direct jobs for the port. Beacon is planning to invoice 4-5 million per year in this business.
- The American company Anderson is planning to invest over 1 Million USD to export gravel to Texas, which is expected to reach 4-5 million tons per year by 2007.
- The Panamanian company Duty Free is building a new cruise terminals, which include a Duty Free center.
- The continued development of commercial and resort centers to provide attention to the increasing number of tourists that stop in Progreso as part of the Caribbean cruise routes.

### **More details on these projects**

For more details on the Mexican Pacific Coast ports and projects, please look for market research documents on specific ports published at the website: [www.buyusa.gov/mexico](http://www.buyusa.gov/mexico)

Each Mexican port has also a website with information in English and Spanish, where port's location, characteristics, available infrastructure, private operators, and projects can be consulted.

You can visit: <http://e-mar.sct.gob.mx/>

### **Significance for U.S. exporters**

All the mentioned projects will offer excellent opportunities for U.S. exporters of products and services, as well as for companies interested in operating port facilities. Under NAFTA, all kinds of equipment can be imported duty free into Mexico. Interested parties should take advantage of this opportunity.

### **For more information**

For more information on opportunities in the ports and transportation sectors in Mexico, please contact:

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